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~~CONFIDENTIAL~~

NIE-32

21 June 1951

result of Economic subcommittee mtg of
afternoon of 20 June. C/N gave info on

Paragraphs 12 - 14 as revised at the IAC representatives meeting of
20 June.

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#13
of 14
June

12. The industrial sector of the Chinese Communist's economy operates virtually on a day-to-day basis, both in terms of raw materials and plant maintenance. Foreign trade with the West during the first quarter of 1951 remained at the high levels of 1950, primarily because of the sharp increase in China's imports from Hong Kong. Data on Western flag shipping into Hong Kong and Chinese Communist ports since 1 April indicate that such shipping has fallen off sharply. We believe that Western trade restrictions are almost entirely responsible for this decline in shipping and that these restrictions will have an increasingly adverse effect on Communist China's import capabilities during the remainder of the year. There have been shortages for some months of petroleum for civilian use and of certain fairly important specialized industrial items. Very recently as a result of raw cotton shortages textile mills have shut down. The Communists assert that these shutdowns are only for a six-week period, but admit that they are related to import difficulties as well as to the failure of the cotton collection program in China itself.

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13. [In 1950, industrial output expanded greatly, particularly in the case of military-type goods. Announced industrial output goals for 1951, indicate only modest increases over 1950. ^{However we have lost,} In spite of reports of plant dispersals and raw material shortages, the munitions industry is, ~~we believe,~~ producing at capacity and expanding.

9/14
9/18
June
draft

14. During the large initial troop movements northeastward in the summer and autumn of 1950, there were serious interruptions in the rail movement of non-military goods throughout China. Since that time, although military traffic has presumably interfered with the general distribution of goods throughout China, ^{particularly} ~~and~~ in Manchuria, and although there have been recent indications of delay in the movement of individual non-military shipments, there is no evidence that the aggregate volume of traffic outside Manchuria in essential non-military items has been sharply curtailed.

15 will be 16 of 18 June draft

16 will be 10 of 11 June draft

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